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FISCAL IMPACT STATEMENT

LS 6871

BILL NUMBER: SB 432

NOTE PREPARED: Mar 14, 2013

BILL AMENDED:

SUBJECT: Self-Storage Insurance.

FIRST AUTHOR: Sen. Paul

FIRST SPONSOR: Rep. Heaton

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides for the sale, solicitation, or negotiation of self-storage insurance by self-storage facilities under a limited lines producer's license.

Effective Date: July 1, 2013.

Explanation of State Expenditures: This bill is expected to increase the workload of the Department of Insurance (DOI) to issue limited lines producer licensing and provide oversight for companies that offer self-storage unit insurance. The DOI reports regulation of companies that offer self-storage unit insurance can be absorbed under current staffing and resource levels.

Explanation of State Revenues: Summary: This bill could increase revenue the state receives from (1) limited lines licensing fees, (2) civil penalties for violating provisions governing the sale of self-storage unit insurance, (3) the insurance premium tax, and (4) penalties assessed against individuals who fail to remit insurance premium tax payments. Actual increases in revenue are indeterminable.

Additional Information:

Licensing: The DOI reports the bill will increase the number of companies who are limited lines producer licensed insurance dealers in the state. As a result, revenue from limited lines producer licensing fees is expected to increase. The current fees for limited lines producer licenses are paid biannually and are \$40 for resident licenses and \$90 for nonresident licenses. The increase in revenue from licensing fees is unknown but

expected to be small. Revenue collected from limited lines producer licensing fees are deposited in the DOI Fund.

Civil Penalties: The bill establishes civil penalties for companies who violate provisions of the bill governing the sale of self-storage unit insurance. Civil penalties are to range between \$50 and \$10,000 and will be deposited in the DOI Fund. The bill is silent on whether these civil penalties are assessed per case or per violation. Future civil penalties likely to be assessed are indeterminable.

Insurance Premium Tax: This bill may result in the sale of additional limited lines insurance policies to cover self-storage units. To the extent this occurs, the state will receive additional revenue from taxes paid on insurance premiums. Revenue received from the insurance premium tax is distributed to the General Fund. Actual increases in state revenue from insurance premiums are indeterminable.

For FY 2012, the insurance premium tax collected approximately \$203 M in revenue.

Failure to Remit Insurance Premium Tax Payments: This bill could also result in a number of individuals who fail to withhold and remit insurance premium tax payments as required under current law [IC 27-1-18-2(i)]. Violations for failure to remit insurance premium tax payments are punishable with a civil penalty of \$100 for each day payment is delayed, but not to exceed \$10,000.

Revenue collected from penalties is deposited in the Insurance Premium Tax Fund. The Department of Insurance reports \$14,000 was collected in FY 2012 from penalties assessed against insurance providers who failed to remit insurance premium tax payments.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected:

Information Sources: Logan Harrison, DOI; Cindy Donovan, DOI; Barb Lohman, DOI.

Fiscal Analyst: Bill Brumbach, 232-9559.